

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:	)	
	)	Chapter 11
FTX TRADING LTD., <i>et al.</i> , <sup>1</sup>	)	
	)	Case No. 22-11068 (JTD)
Debtors.	)	(Jointly Administered)
	)	
	)	RE: D.I. 4498

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**RESERVATION OF RIGHTS OF THE BLOCKFI WIND-DOWN DEBTORS TO  
THE THIRD MOTION OF DEBTORS FOR ENTRY OF AN ORDER EXTENDING  
THE EXCLUSIVE PERIODS DURING WHICH ONLY THE DEBTORS MAY FILE  
A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

The estates of BlockFi, Inc. and its affiliated debtors-in-possession (collectively, “**BlockFi**,” or the “**BlockFi Wind-Down Debtors**”), by and through undersigned counsel, file this Reservation of Rights to the *Third Motion of Debtors for Entry of an Order Extending the Exclusive Periods During Which Only the Debtors May File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 4498] (the “**Motion**”) filed by FTX Trading Ltd. and its affiliated debtors-in-possession (collectively, the “**FTX Debtors**”). In support of this Reservation of Rights, the BlockFi Wind-Down Debtors respectfully state as follows:

**RESERVATION OF RIGHTS**

1. BlockFi is a defrauded FTX customer. In short, BlockFi’s deposits were stolen and misappropriated by FTX. BlockFi is also a defrauded lender to FTX Debtor Alameda Research Ltd. (“**Alameda**”). BlockFi has nearly \$1 billion in claims against the FTX Debtors, including approximately \$700 million in loan claims against Alameda, making BlockFi one of Alameda’s

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<sup>1</sup> The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification numbers are 3288 and 4063 respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

largest creditors, if not *the* largest. BlockFi was forced into bankruptcy as a result of the fraudulent actions of Alameda and certain other FTX Debtors, and BlockFi's customers are owed over \$1 billion as a result.

2. In the Motion, the FTX Debtors represent that the proposed plan they have now filed (the "**Plan**") is "consensual" or "largely consensual." This is not the case. BlockFi was entirely excluded from the negotiation of this "largely consensual" plan, and it shows. The proposed Plan was negotiated with, effectively, only FTX exchange creditors at the table. The result is predictable: those at the table allocated most of the value to themselves, at the expense of BlockFi's customers and other FTX creditors that did not get a seat.

3. The proposed Plan also funnels value away from creditors defrauded by Alameda, including BlockFi and its customers. The Plan improperly substantively consolidates all FTX Debtors – merging all of Alameda's assets (including those borrowed from BlockFi) into a single pot. The legal basis for substantive consolidation – the wide-scale fraud throughout the FTX organization – renders impossible any untangling or tracing of the recovered assets held by the FTX Debtors to provide recoveries on an entity-specific basis. But the Plan then gives FTX exchange creditors a priority claim to those assets – a priority claim that *legally requires FTX to trace those assets back to exchange creditor deposits*.

4. The positions in the Motion and Plan are irreconcilable. If FTX cannot trace assets to particular victims of fraud and theft, then it cannot give those customers priority over those assets. Yet, FTX proposes to forego tracing and siphon the vast majority of assets away from BlockFi's customers. This asset siphoning is but one of the legal infirmities (albeit the most significant) in the proposed Plan.

5. BlockFi does not support the Plan. To date, BlockFi has not been asked to support the Plan, and was not invited into the room where this “largely consensual” Plan was created.

6. BlockFi raises these concerns lest its silence be taken for assent to the statements contained in the Motion. BlockFi does not oppose a limited extension of exclusivity for now, based on the representations of the FTX Debtors’ counsel that (i) it is prepared to mediate in good faith with BlockFi next month (pursuant to the court order requiring it to do so), and (ii) that at this stage in the case, it is not yet time to end exclusivity.

7. But the record should be clear: the Plan proposed is not “consensual,” let alone “largely consensual.” Nor was there an effort for it to be consensual by inviting the creditors defrauded by Alameda into the room to participate in negotiations. Should the FTX Debtors continue to push forward to confirm a plan that disadvantages BlockFi’s defrauded customers to the benefit of others, BlockFi will oppose the plan and reserves the right to seek to terminate exclusivity or oppose any further extension of the exclusivity period at the appropriate time.

*[remainder of page intentionally left blank]*

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**BROWN RUDNICK LLP**

Kenneth J. Aulet  
Jeffrey L. Jonas  
Michael S. Winograd  
Alexander F. Kasnetz  
Seven Times Square  
New York, NY 10036  
Tel: (212) 209-4800  
Fax: (212) 209-4801  
Email: [kaulet@brownrudnick.com](mailto:kaulet@brownrudnick.com)  
[jjonas@brownrudnick.com](mailto:jjonas@brownrudnick.com)  
[mwinograd@brownrudnick.com](mailto:mwinograd@brownrudnick.com)  
[akasnetz@brownrudnick.com](mailto:akasnetz@brownrudnick.com)

Tristan G. Axelrod  
Sharon I. Dwoskin  
Matthew Sawyer  
One Financial Center  
Boston, MA 02111  
Tel: (617) 856-8200  
Fax: (617) 856-8201  
Email: [taxelrod@brownrudnick.com](mailto:taxelrod@brownrudnick.com)  
[sdwoskin@brownrudnick.com](mailto:sdwoskin@brownrudnick.com)  
[msawyer@brownrudnick.com](mailto:msawyer@brownrudnick.com)

*Counsel for the BlockFi Wind-Down Debtors*

**GELLERT SCALI BUSENKELL  
& BROWN, LLC**

By: /s/ Michael Busenkell  
Michael Busenkell, Esq.  
1201 North Orange Street, Suite 300  
Wilmington, Delaware 19801  
Tel: (302) 425-5812  
Fax: (302) 425-5814  
Email: [mbusenkel@gsbblaw.com](mailto:mbusenkel@gsbblaw.com)

*Delaware Counsel for the BlockFi Wind-Down Debtors*

**HAYNES and BOONE, LLP**

Richard Kanowitz  
30 Rockefeller Plaza  
26th Floor  
New York, NY 10112  
Telephone: (212) 659-7300  
Facsimile: (212) 918-8989  
Email:  
[Richard.Kanowitz@haynesboone.com](mailto:Richard.Kanowitz@haynesboone.com)

Richard D. Anigian  
Charles M. Jones II  
2801 N. Harwood Street  
Suite 2300  
Dallas, TX 75201  
Telephone: (214) 651-5000  
Facsimile: (214) 651-5940  
Email: [Rick.Anigian@haynesboone.com](mailto:Rick.Anigian@haynesboone.com)  
Email: [Charlie.Jones@haynesboone.com](mailto:Charlie.Jones@haynesboone.com)

*Counsel for the BlockFi Wind-Down Debtors*